



Office of the City Manager

MEMORANDUM

Date: June 12, 2009
To: Mayor and City Council
Through: Donna Dreska, City Manager
From: Maureen McKissick, Grant and Fund Development Manager
Subject: Recovery Zone Bond Program in the American Recovery and Reinvestment Act

The U.S. Department of the Treasury released today information and guidance regarding the authorization levels for the ARRA's new "Recovery Zone" bonds. In general, Recovery Zone bonds provide tax incentives for state and local governmental borrowing at lower borrowing costs to promote job creation and economic recovery that is targeted to areas particularly affected by unemployment declines.

"Recovery zones" are defined as "1) any area designated by the issuer as having significant poverty, unemployment, rate of home foreclosures, or general distress; 2) any area designated as economically distressed by reason of the closure or realignment of a military installation...;3) any area for which a designation as an 'empowerment zone' or 'renewal community' is in effect as of the effective date of the ARRA (2/17/09)." (*Note: Reno has no designated empowerment zones or renewal communities.*)

The City of Reno has been authorized for up to:

- \$65,604,000 in Recovery Zone Facility bonds
- \$43,736,000 in Recovery Zone Economic Development bonds.

Washoe County has been authorized for up to \$59,648,000 in Recovery Zone Facility bonds and up to \$39,766,000 in Recovery Zone Economic Development bonds.

Staff is working closely with bond counsel to process the regulations as to the allowable uses and restrictions relating to each type of bond. Based on the information released this morning, I will summarize what is known at this time.

Recovery Zone Facility Bonds

Recovery Zone Facility bonds are a type of traditional tax-exempt private activity bond that may be used by private businesses in designated “recovery zones” to finance a broad range of depreciable capital projects. Bonds must be issued before January 1, 2011.

Recovery Zone Economic Development Bonds

Recovery Zone Economic Development bonds are one type of taxable “Build America” bonds that allow states and local governments to obtain lower borrowing costs through a new direct federal payment subsidy, for 45% of the interest, to finance a broad range of qualified economic development projects. Bonds must be issued before January 1, 2011.